

Verizon Executives: Conversations/Transcripts with Wall Street Analysts on Copper Retirement and Upselling to More Expensive Services Well Prior to Superstorm Sandy

There is evidence that, well prior to Superstorm Sandy, Verizon had embarked on business strategy that involves allowing copper plant to deteriorate and using the resulting deterioration in service quality as an excuse to migrate customers to wireless and/or fiber-based networks. For example, the Office of the Attorney General for the State of New York addressed these concerns in its Petition to Modify Verizon's Service Quality Improvement Plan and in a subsequent letter to the New York Public Service Commission responding to statements of Verizon's intent made on an investor's conference call by Verizon Chairman and Chief Executive Officer Lowell McAdam:

The foregoing statements by Mr. McAdam contradict Verizon's assertions in this proceeding regarding investment in its landline network. Verizon avowedly intends to abandon substantial portions of its existing copper plant, rather than maintain it. It further appears ... that during the years before the companies FiOS and LTE systems are fully built out Verizon will defer maintenance of its copper network, only to focus the investment to improve the performance of it" at a later date. Moreover, Verizon's stated intention to force urban landline customers onto FiOS and rural customers onto wireless plans will put basic voice service beyond the economic reach of a significant portion of the company's current customers who do not wish to or cannot pay for these services at current prices that far exceed current landline voice service. Finally, Verizon's intention to move rural customers from landline onto wireless ignores the fact that the company has not committed to extending its LTE network to reach 100% of customers. (See Letter from Keith H. Gordon, New York Assistant Attorney General to Jaclyn Brilling, New York Public Service Commission, Case 10-C-0202, Petition of Attorney General Eric T. Schneiderman to Modify the Verizon Service Quality Improvement Plan, July 30, 2012 ("NY AG Letter", [OAG submits supplemental evidence](#)).

To provide context to how Verizon intends to take advantage of this FCC opening provided are transcripts of **Verizon's real objectives, which Verizon executives have revealed in candid remarks to Wall Street analysts.**

Transcripts hyperlinks are to Transcripts of Verizon Investor Analyst Conference Calls with Verizon CEO McAdam and CFO Shammo—or Verizon Industry Analysis of Verizon under McAdam.)

- [Verizon at Citi Global Internet, Media & Telecommunications ...](#)
- [Verizon at Guggenheim Securities Symposium on June 21, 2012 / 1](#)
- [A Conversation with Verizon Chairman and CEO Lowell McAdam .](#)
- [Verizon Communications' Response to Sen. Kohl's Follow-Up ...](#)
- [Verizon at Citi Global Entertainment, Media, and ...](#)
- [August 24, 2012 Governor Edmund G. Brown, Jr. State ... - Caltel](#)
- [Verizon at UBS Global Media and Communications Conference on ...](#)
- [Q1 2012 Verizon Earnings Conference Call on April 19, 2012 / 12 ...](#)
- [Verizon at Goldman Sachs Communacopia Conference on ...](#)
- [View \(6\) - FCC](#)

Verizon has made its intentions for copper retirement clear to the FCC previously in an ex-parte meetings with the FCC to discuss their plans for retiring copper as part of the Technology Transition Initiative (GN 13-5), [View \(6\) - FCC](#), named "Comments on Copper Retirement 3-15-13".

Here are some excerpts of the candid language Verizon executives have used when speaking at Wall Street investor analyst conferences

In June 2012, Verizon Communications chairman and CEO Lowell McAdam told a Guggenheim Securities gathering ([Verizon at Guggenheim Securities Symposium on June 21, 2012 / 1](#)) **said that** “LTE is the big engine for us” and that video over LTE “is going to be the cornerstone of the changes and the future of the business.”

That’s why, he added, “this relationship with SpectrumCo [the cable MSOs] is important to us.”

Of all the new growth areas, including cloud service, machine-to-machine and security services, that Verizon is counting on to “compensate for some of the falling off of copper-based services like DSL and voice...I think the video piece will have a much steeper ramp to it, especially if we go forward with the SpectrumCo arrangement,” he said.

McAdam acknowledged the departure from the way things have always worked in the highly competitive cable-telco market was hard to accept in some quarters. “It is interesting that a lot of people have said, well, I can’t believe you’re going to partner with them,” he said. “You are not going to use their Wi-Fi are you? Well, of course, we are.”

Along with off-loading traffic, a big part of the SpectrumCo deal is the cable operators' promotion of Verizon Wireless to their customers and, depending on future dealings, the possibility MSOs may leverage the mobile network on a wholesale basis through MVNO (mobile virtual network operator) agreements with the carrier. With the LTE network tying everyone's services together, the goal is to offload as much traffic to the fixed networks as possible, whether FiOS or someone else's, McAdam noted.

"I don't expect anybody to sit in their home watching video over LTE," he said. "I want them to be able to watch it on their tablet anywhere in the house using the Wi-Fi network. And the same thing, if you are around the city and there is a Wi-Fi hotspot, we are happy to have you offload onto that."

Noting he expects approval of the SpectrumCo deal from the FCC and Department of Justice by summer's end, McAdam stressed what the deal will mean to the bottom line if Verizon can give FiOS and cable customers alike a seamless video-rich experience wherever they are. "Think about if you could take, whether it is your e-mail, whether it is your DVR content, whether it is streaming sports, whether it is being able to do a video from your car to your home or to your PC or whatever," he said. "You [could] tie every device that you have that has a screen on it together and seamlessly be able to take the content back across it."

"I mean customers will flock, I think, to a service like that. So that probably dwarfs anything else that we would do from a top-line revenue growth."

Under these conditions the old wireline infrastructure becomes dispensable, allowing Verizon to accrue major operational cost savings to the bottom line even if it cedes fixed broadband coverage to other providers. **"[T]he vision that I have is we are going into the copper plant areas, and every place we have FiOS we are going to kill the copper," McAdam said. "We are going to just take it out of service, and we are going to move those services onto FiOS."**

He continued: **"And then in other areas that are more rural and more sparsely populated, we have got LTE built that will handle all of those services, and so we are going to cut the copper off there. We are going to do it over wireless. So I am going to be really shrinking the amount of copper we have out there....[W]e can grow the top line through FiOS, and we can leverage the cost efficiencies on the network side. So margins can improve."**

The upshot of the "exponential leap" to LTE is that Verizon will not be positioned as "your cell phone provider" but rather as "your network provider wherever you are," McAdam said. "[I]f I know that I can do everything I want in my car that I can do in front of my TV set or my PC or on my tablet, I think it just takes away a lot of the restraints."

But, despite the positive spin McAdam put on the carrier's position, there's an air of desperation to a strategy where these factors are the dominant facts of life:

- Economic justification for fiber-based expansion has hit a wall even as a vast DSL infrastructure is viewed as disposable. Verizon, rather than building out to more than 18 million homes as expected two years ago or even more as expected earlier, has slowed FiOS construction to where only 14 million homes have access to the service and only another three to four million are slated to be passed by fiber under existing video franchise commitments, leaving huge regions, including the cities of Boston, Baltimore and Buffalo, without fiber service.
- McAdam said that by eliminating DSL in fiber-served areas the carrier will try to bring DSL broadband customers onto the fiber plant. But over time the primary broadband option for DSL customers in non-fibered areas of its incumbent footprint will be cable or LTE, unless the company commits to new fiber builds. McAdam cited union contracts as a key gating factor on any such decision, but didn't say whether a relaxation in union rules which currently force antiquated copper-based maintenance and personnel costs on fiber areas would lead to fiber expansion.

- The ability to leverage the video potential of LTE while gutting DSL depends on cooperation from regulators at the state and federal levels. While the FCC and DoJ have approved the SpectrumCo deal, McAdam was far less upbeat when speaking about the regulatory environment in general. “I do feel right now the pendulum has swung a bit more to the regulators putting their thumb on the scale, and we don't like that,” he said. “We think we ought to let the market do that.”

- At the state level, Verizon has gained freedom in Florida, Virginia and Texas to have the flexibility to “**start to sunset some of the older technology**,” he said. However, New York and New Jersey regulations “are frankly pretty backward compared to the rest of these states, so we have got some work to do there.”

- **Ultimate bottom-line success depends on a partnership with competitors and the willingness of consumers to accept higher prices. Speaking of the seamless video-everywhere vision on which the envisioned upside greatly depends, McAdam said, “Is it going to cost them [consumers] more money? Yes, but it will probably shift their wallet spend from other things that they do individually into this sort of a bucket of gigabytes. And so I think it will be a significant stream for us.”**

At a 2012 UBS Conference, CEO McAdam said the following: ([Verizon at UBS Global Media and Communications Conference on ...](#))

John Hodulik - UBS - Analyst

Can we delve a little bit deeper into -- and maybe we will start with the wireline side first. Hurricane Sandy obviously was devastating to a lot of people in the region and had a big impact on many companies in the area. You haven't specifically laid out the numbers yet but can you give us a sense for or characterize the impact on Verizon more broadly. And then also maybe what we can expect to see in terms of impact in the quarter?

Lowell McAdam - Verizon Communications Inc. - Chairman, President and CEO
Yes, so obviously a huge impact. Let me say up front that I am really proud of the way our employees handled all this. If you look around and you go to these devastated areas and I have been out there a lot myself. Our teams were there supporting the community. We have got even things like warming trailers for people to come in and just get warm when we had that Nor'easter come through. We have got charging stations for phones and we have got what we call these sort of Internet cafe trailers where we have got a bunch of PCs and people can come in and work with FEMA and their insurance companies and just communicate with the world. So we started out with a \$1 million grant from our foundation to the Red Cross and our employees have really stepped up with contributions. So I am very proud of the organization in general.

Now as far as impact to the operations, we got a lot of press coverage over the two central offices that feed Wall Street and it was a little like the Titanic there. You saw the water rising on the windows and the glass doors and about 11 o'clock they all gave way and it ended up flooding basements and sub basements. 140 West Street, our headquarters building, had a million gallons of water in the basements of it. And diesel fuel has to be at the lowest level in New York and so you end up with a mixture of fuel and you have a real problem. But I think within 48 hours, we had West Street back up and it took us about a week to get Broad Street up. That had some more severe damage to some of the electrical switch gear and that sort of thing.

Now our strategy here going forward which I think is important for investors is that where we have damaged copper cable, we are not replacing it. We are going in with fiber. In Broad Street, that is literally the entire feeder cable will be converted over to fiber. And I think that will help us in a number of ways. We have got that platform then that we can build on but the businesses will be able to add services, higher-speed services, change their services much more easily than we could in a copper environment. It will reduce our maintenance costs dramatically.

Now similarly in the areas of New Jersey, I was down on the Barrier Islands this last week and we very frequently have parallel networks of copper and fiber running down the same street. So the edict from Bobby Mudge, our President of CMB and our Chief Technical Officer, Tony Melone, is you will not replace copper unless God gives you a pass and God is busy right now. So there aren't any passes. So that will allow us to migrate people off of -- even on voice service and we have got the technology to do it easily even voice service. But more often than not when we move a customer off of voice onto FiOS, they take either a double play or a triple play right after that because I think they have seen the resiliency of those networks. FiOS, the minute power came back, FiOS was back up in the majority of the cases. And the same thing with wireless. I mean, when we have an event like this, we have a tendency to see a shift in share because of the resilience of our networks.

So our plan is to take advantage of this disruption if you will in our operations to accelerate these platform expansions and I think it will serve us very well.

At a 2012 JP Morgan analyst conference, Verizon CEO McAdam said the following: ([Transcripts - Verizon](#))

Lowell McAdam - Verizon Communications - CEO

“(W)e’ve done some price ups here recently which has helped our overall ARPU performance year-over-year. And we expect that to continue improving throughout this year and into next year. So I think both the top line and the bottom line for FiOS looks better. The thing that we haven’t talked a lot about a little bit here recently, but **by the end of the year we will have moved 200,000 customers that are sitting on copper where we have FiOS. And we’re going to move them off of copper and on to the FiOS, which helps the FiOS profitability as well as removes all the expense associated with that copper plant. So we’re going to move forward with that. And in many areas we’re also taking customers that aren’t performing well on copper and we’re moving them over to the wireless technology. So that improves our cost structure significantly and streamlines all those ongoing maintenance costs. So that’s why I refer to the green shoots there, well certainly a lot more to do, but we’re not dependent on the economy to make the wireline part of the business perform better.**

Phillip Cusick - J.P. Morgan - Managing Director

Okay, okay. As I think about just continuing in wireline you mentioned 200,000 people moving from copper to FiOS. Is there sort of a very targeted plan of areas year, after year after year that where you’re focused on cutting copper out of the business, whether they’re sort of region by region or sort of particular areas within a region?

Lowell McAdam - Verizon Communications - CEO

Yes. So we certainly start where we’ve got parallel networks. And we have a lot of those in place. **And we’re attacking them from the top down based on maintenance activity or based on the ability to sell into that customer.** We see after a customer moves over to FiOS we may sell them the regular digital voice service and then use, move them over on the Internet side. And then you move them over on the TV side. So

there is nice upside there. **So we look at it from maintenance cost perspective as well as a revenue potential perspective. And then you do get to a point where in a geography if you've got nine out of ten let's say customers on a street that are on FIOS you're just going to cut the tenth one over and then decommission all of the copper. So we factor all of that in to the analysis and come up with the best shareholder value contribution.**

Phillip Cusick - J.P. Morgan - Managing Director

So we should think about this happening in the next year and the year after as well.

Lowell McAdam - Verizon Communications - CEO

Oh yes, yes. It's an ongoing. No we're also continuing to build out in the areas that we have local franchise agreement obligations. So we're continuing to build that out. And we will be far more aggressive in cutting customers over to that FIOS plant now when we put it in initially. In the past we had the TV service and the Internet service sort of drag those customers across. Now we're going to be much more proactive about moving them across and then marketing into that base.

Phillip Cusick - J.P. Morgan - Managing Director

And is the regulation side a big barrier to cutting that copper off in the territory, or are they pretty much on board?

Lowell McAdam - Verizon Communications - CEO

Well certain states are more progressive than others. Texas, and Florida and Virginia kind of lead the way. And our view is this is a huge advantage because we aren't changing the cost to a customer. We're protecting their pricing. And they get to move on to a broadband digital service. So as I talk to Chairman Genachowski he is very upbeat about doing this. The other states that are less supportive will stay in the 19th century technology is what we tell them. And there's no reason they should want to do that.

Phillip Cusick - J.P. Morgan - Managing Director

And given what seems like more success in the TV business than the initial plan was, and also the savings you get as you cut out copper, what's your thought lately on expanding FIOS?

Lowell McAdam - Verizon Communications - CEO

We just have to see how things shake out. Again a little bit of this has to do with the regulatory environment. There are certain places that until they modernize it I'm not going to build one extra household. But if we can get the media server working right, if we get the final touches on **our new contract with the union** that makes it more attractive for us it's not something that I would rule out, but I've got a lot in front of me to do to finish the current obligations. And at this point there is nothing further than that current obligation.

...

Phillip Cusick - J.P. Morgan - Managing Director

Okay, okay. Let's just talk about sort of outside of your FIOS territory. Can you give us an update on how that's going? It seems like both you and AT&T have pulled back in terms of willingness to compete. You've talked about pulling back on naked DSL. Do you think that DSL long term is able to compete with cable outside of that fiber footprint, and if so how, and if not then what sort of happens to the business over time?

Lowell McAdam - Verizon Communications - CEO

Well we don't have a lot going on outside of our wireline footprint with DSL. And look. I think people want more and more speeds. And that's why we invest in LTE. And that's why we invest in FIOS. **And so DSL isn't a bad technology. Analog voice on wireless**

wasn't a bad technology. It's just customers need change and we need to change with it as a business. So it's not like we're running around killing DSL. Customers are doing that for us as they choose. So we spend a lot more time thinking about home fusion, and LTE deployment and how to gracefully keep DSL in the mix, but we're not going to be investing heavily in DSL. Customers aren't asking for it.

Phillip Cusick - J.P. Morgan - Managing Director

You bring up wireless as an alternative. At what point does LTE really become an alternative to a wired broadband solution?

Lowell McAdam - Verizon Communications - CEO

Well I think it is today for a DSL alternative and our home fusion product is doing very well in the marketplace and we're addressing some of the rural markets through our rural partnership program, but I think LTE inherently is a lot more efficient. And we're doing a lot of things to make it even more efficient. We obviously talk about needing more spectrum, but we also invest a lot in compression techniques and we invest in our spectrum sharing work that we have going on with the Department of Defense, but I think it already is at the low speeds, but it's not -- at least you won't see Verizon trying to compete against FIOS with LTE. That's not in the cards here until you have an unlimited supply of spectrum. And I don't think that's coming anytime in my career.

At a 2013 Verizon at JPMorgan Global Technology, Media and Telecom Conference ([Verizon at JPMorgan Global Technology, Media and Telecom ...](#)), Fran Shammo Verizon Communications Inc. - EVP, CFO, said the following:

Phil Cusick - JPMorgan - Analyst

Let's follow up on -- just moving over to Wireline. You've talked about some pretty big numbers in terms of cost savings on Wireline. Is this really the first year that that is ramping up? Is there a sustained cost-cutting path for that business for the next few years?

Fran Shammo - Verizon Communications Inc. - EVP, CFO

I would say that when Lowell became the Chairman and CEO he really put in a real focus in on the process of the business. Really that is when it started to say -- okay, **we need to get off the copper and we need to move over to fiber. So we started the copper-to-fiber migration. And these are not short-term programs. These are programs that take a few years to accomplish. So last year we started it. In the first quarter we did another 83,000 homes by converting them off copper into fiber. Obviously with Superstorm Sandy we had an opportunity to really replace, as Lowell would say, 140 tons of copper in Lower Manhattan to fiber, so that accelerated that. But these are issues where, when you really get down to it and do that copper-to-fiber migration, you are really taking a lot of cost out of the business. Because that copper plant is highly expensive to continue to maintain, whereas the fiber plant is not. So each time we do a conversion, that expense of that maintenance and repair continues to decline. And again, you're not going to see that overnight; but over a two- to three-year period of time you're going to start to see that cost trend decline.**

At a 2013 Nomura analyst conference, Francis Shammo – Verizon Executive Vice President and Chief Financial Officer said the following:

Analyst Mike McCormack - Nomura

You touched on the copper to fiber to migration. One of things that we have been surprised at, is just the number of homes out there that are making that move. I have always thought going out and putting an OMT in the side of the house was not paying you a lot of money, it doesn't have a great return. But there is obviously things back in the network that you are getting paid for, or cost savings. I guess, you could talk about that and where, a broader discussion of where wireline margins can go. We have heard for a decade the struggle of, we are going to get better, we are going to get better. And we all hope for that, but it just seems to be stagnating. So is there a lever, obviously, economy, enterprise, all that stuff, but from a consumer standpoint, what's the lever that you are trying to margins on?

Francis Shammo

So let's talk about copper to fiber migration right now. So, obviously, what we have looked at is, as we have build out these 18 million homes passed and we have a number of copper properties still in those 18 million homes. That doesn't make sense just for us to continue to maintain these two networks. So we have gone out and we had attacked the high troubled areas first and have gone in, and have moved those customers to fiber. And the benefit we get there is as we do this, it really cuts down on the amount of repair that we have to do. The side benefit of doing it though is what we are seeing is, once we put that OMT on the side of the house and give you voice and give you the basic speed of FiOS, after a couple of months they are choosing to buy up in the speeds because now they are realizing this unbelievable fiber product that they have on the side of their home. So they are buying up into those tiers and we see that most people are buying up to the 50 megabit plan.

Then what happens is, six to eight months after that, you then market it to them because what we found is you can't do it too soon because then they think they are being gamed somehow. So six to eight months later, you start to approach them on, hey, by the way we think we can save you money on your cable bill by taking FiOS TV. **And what we are seeing is, about a 35% to 36% take rate now on those copper customers who just had voice and DSL, once they come over within a year, they become a triple play on FiOS. So there is a lot of benefits doing this. It's benefit to the customer, but then it's also a backroom benefit to us that we can start to take out this copper network that is really deteriorating. You really can't -- there is no financial way to keep this thing running. So we have to get away from those copper networks. And obviously with the unfortunate event of sandy, it really accelerated Lower Manhattan into that fiber conversion.**

So from that perspective, it's a strategy that we are really pushing hard on and you can see coming out of the first quarter we really accelerated the number that we did and we are going to continue that through the year. Now, as far as wireline margin, given the events of this year, I said that we will probably be flat. But based on what I see right now, the margin will start to increase in '14. And a lot of that's around, it's the macroeconomics around enterprise, but it's also around the pressure that we are seeing from some of these startup things that we are doing. Redbox, VDMS, Hughes Telematics. So some of these things that we have been invested in, are negative to wireline right now. They will turn positive in '14, so those start to contribute. I also see that as we went through the union contract

negotiation, we said that there would be about \$500 million benefit over the life of this contract. But some of this benefit is taking time to get to.

So an example of that is, we got call sharing for the first time. But in order to do call sharing among all of our call centers, you have to take the reps offline and train them on all the different states that they will get calls from. Whereas before a rep only was trained in their state and only had to deal with their state. So in essence, the cost structure actually increases in the short-term because you have to take people offline to train them. But what we see is, that the efficiency of that will start to come later this year and into next year. So there is a lot of things that we are gaining momentum on, that I feel pretty good. And I know you are a little bit pessimistic on me right now, Mike, about the wireline margin improvement. But I feel pretty good that I think we will start to see signs in '14, increasing the margin.

Mike McCormack - Nomura

And then you and I talked about this a month or so ago, but in the non-FiOS markets, what's the strategy there? It seems like it's, I don't want to call this slow death but is there an outcome there that can be more stable than a real negative scenario.

Francis Shammo

This is a difficult one. Because where we don't have FiOS, obviously, the copper in some areas is performing okay, in other areas is not. And obviously this is right for cable to take share which they are. But what we have come out with is, we are coming out with some different products obviously. If you look at the situation, just recently out on Fire Island where the entire network got destroyed. It doesn't make sense for us to rebuild the copper network. It doesn't make financial sense to invest fiber to the Island. So what we are doing is, we are coming in with a solution that says, we will give you voice over LTE in order to replace that technology and we are working with the regulators and so forth to make that happen.

And that's really where we have to go here. Because there is a different solution rather than building infrastructure to some of these, what I would call more rural areas. And it's really with using the LTE technology, the Fusion technology from a broadband perspective. And we still have some work to do with regulators but we are making headway here and I think that's the route that we will take.

Mike McCormack - Nomura

So thinking about AT&T's Project VIP and rolling out IP DSLAM to a more broader audience, is that a solution if you consider, or it's just not a great return for you guys.

Francis Shammo

No, I think we made our bet on fiber to the home and we have done that. And outside the FiOS footprint at this point I think we are going to concentrate mainly on giving them a solution for voice and data. No, we are not going to take that strategy.

At a Goldman Sachs investor conference, Frank Shammo, Verizon Communications Inc. EVP and CFO, "Verizon at Goldman Sachs Communacopia Conference" transcript, September 20, 2012 at 13 (Verizon Transcript). Available online at: http://www22.verizon.com/idc/groups/public/documents/adacct/goldman_vz_transcript_092012.pdf, and attached above, as **goldman vz transcript**.

“(T)he fact of the matter is is Wireline capital -- and I won't get the number but it's pretty substantial -- is being spent on the Wireline side of the house to support the Wireless growth. So the IP backbone, the data transmission, fiber to the cell, that is all on the Wireline books but it's all being built for the Wireless Company.”

Comments of Fran Shammo, Verizon Communications Inc. EVP and CFO, at the Goldman Sachs Communacopia Conference” September 20, 2012 at 13.

The transcript of the Verizon investor presentation at Goldman Sachs Communacopia Conference, September 20, 2012 (attachment above and at [Transcript - Verizon](#)), shows the cross-subsidization of the wireless division by the wireline customers: If the costs to do building are not longer being used to upgrade and maintain the plant -- why haven't prices fallen? From a corporate side, this is fine from a utility side that is supposed to be maintaining an upgrading the utility plant under state law, and it could be illegal. in some states.

Jason Armstrong - Goldman Sachs - Analyst

Okay. Shifting gears to capital spending. Maybe you could help us think through by segment Wireless and Wireline absolute dollar trends in capital spending you would expect over the next couple of years?

Fran Shammo - Verizon Communications Inc. - EVP and CFO

You guys love to split me when it comes to capital spend and what I keep trying to tell everybody is just look at me in total. And the reason for that is not to be between Wireline and Wireless, but if you break the Company down today, the fact of the matter is is Wireline capital -- and I won't get the number but it's pretty substantial -- is being spent on the Wireline side of the house to support the Wireless growth. So the IP backbone, the data transmission, fiber to the cell, that is all on the Wireline books but it's all being built for the Wireless Company.

So when you look at it, it is hard for me to say, well, in absolute dollars because if Wireless continues to grow and I need more IP backbone, that will be built on the Wireline side of the house. But what I will tell you is if you look at Wireless this year, I think year-

to-date we are down about \$1.3 billion through the first half of the year. As we stop building out EVDO, we have significantly curtailed the amount of spend we have on our 3G network. Obviously we are still continuing to build out our 4G.

So if you look at overall, I continue to say we will be flat to down and I think we will be probably more slightly down than flat, and we -- Lowell and I are really starting to really focus in on where do we spend that investment and make sure that that investment returns on a shorter period of time. And that is really the focus.

So what I like to say is that our ratio of CapEx to revenue will continue to decline

Comments of Frank Shammo, Verizon Communications Inc. EVP and CFO, "Verizon at Goldman Sachs Communacopia Conference" transcript, September 20, 2012 at 13 (Verizon Transcript). Available online at:

http://www22.verizon.com/idc/groups/public/documents/adacct/goldman_vz_transcript_092012.pdf

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On June 21, 2013, Acting Director Sean Lev of the Technology Transitions Policy Task Force, and FCC General Counsel, made the following remarks at a TIA Network Transition Event:

(W)e must ensure that the transitions preserve and advance the core values reflected in the Communications Act: consumer protection, public safety, universal service, and competition... we are mindful that these developments are disruptive, and there is no guarantee that all of the services consumers and businesses rely on today will continue to be available in the same form, if at all, in the future. Simply put, these developments have important policy implications. For instance, what is the consumer's experience when he or she is transitioned from a wireline to a wireless service? Will a consumer be able to reach a 911 call taker as readily and will the 911

system be as reliable as it has been in the past? Will consumers continue to have access to services that we tend to take for granted today, such as alarm monitoring and, especially for small businesses, credit-card confirmation?

Will a consumer's phone work when the power goes out? How will competition in serving small and mid-size businesses be affected if incumbent carriers are no longer offering TDM-based access services? These are just a few of the policy questions that regulators are facing -- and will face -- over the next several years. As the Task Force looks at these and other policy issues, we are guided by the insight that technological changes do not alter the FCC's core mission or responsibilities. In particular, we are focused on how to protect consumers, promote public safety, ensure universal service, and preserve and enhance competition. These are core values underling the Communications Act, and they are as applicable today as they ever were.

And in a May 10, 2013 blog posting by Sean Lev, General Counsel and Interim Director, Technology Transitions Task Force, he said:

Communications networks are changing from copper to fiber and from time division multiplexing (TDM) to Internet protocols; wireless voice and data services are increasingly important. These are exciting developments. The ongoing technology transitions hold the promise for tremendous benefits for consumers. Among other things, these new technologies can deliver higher quality service and higher speed broadband to more Americans. IP-based networks also make it easier to deploy feature-rich next-generation 911 systems. At the same time, we must ensure that the transitions preserve and advance the core values reflected in the Communications Act: consumer protection, universal service, competition, and public safety.

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These concerns are completely absent from the discussion laid out in Verizon's Ex Parte Comments to the FCC in AT&T and NTCA Petitions on Transition from Legacy Transmission Platforms to Services Based on Internet Protocol, GN Docket No. 12-353; Technology, Transitions Policy Task Force, GN Docket No. 13-5, January 15, 2013; (see **Comments on Copper Retirement 3-15-13**, at: <http://apps.fcc.gov/ecfs/document/view;jsessionid=2SpBQ3NTG8rJpDtmYHgWgnpWppRGmmNkG0b9Qcw1byyhhF8V1Rpf!471072203!956499833?id=7022105164>)

Sincerely,

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